

## Accepted Manuscript

Title: Has the Correlation of Inflation and Stock Prices Changed in the United States over the Last Two Centuries?

Author: Nikolaos Antonakakis Rangan Gupta Aviral K. Tiwari



PII: S0275-5319(16)30133-7  
DOI: <http://dx.doi.org/doi:10.1016/j.ribaf.2017.04.005>  
Reference: RIBAF 621

To appear in: *Research in International Business and Finance*

Received date: 5-7-2016  
Revised date: 15-2-2017  
Accepted date: 3-4-2017

Please cite this article as: Antonakakis, N., Gupta, R., Tiwari, A.K., Has the Correlation of Inflation and Stock Prices Changed in the United States over the Last Two Centuries?, *Research in International Business and Finance* (2017), <http://dx.doi.org/10.1016/j.ribaf.2017.04.005>

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# Has the Correlation of Inflation and Stock Prices Changed in the United States over the Last Two Centuries?\*

**Nikolaos Antonakakis\***

*\* Corresponding author. Webster Vienna Private University, Department of Business and Management, Praterstrasse 23, 1020, Vienna, Austria. nikolaos.antonakakis@webster.ac.at*  
*University of Portsmouth, Department of Economics and Finance, Portsmouth Business School, Portland Street, Portsmouth, PO1 3DE, United Kingdom. nikolaos.antonakakis@port.ac.uk*

**Rangan Gupta**

*Department of Economics, Faculty of Economic and Management Sciences, University of Pretoria, 0002, South Africa*

**Aviral K. Tiwari**

*Faculty of Management, IBS Hyderabad, IFHE University, Donthanapally Shankarapalli Road, Hyderabad, Andhra Pradesh 501203, India*

## Highlights

- We examine correlations of stock prices and inflation in the United States over 1791-2015
- We employ a dynamic conditional correlation (DCC)-GARCH model
- Results suggests that correlations evolve heterogeneously overtime
- They are positive in the 1840s, 1860s, 1930s and 2011, and negative otherwise
- The policy implications of these findings are discussed

## Abstract

The relationship between stock prices and the inflation can be either negative or positive, depending on the strengths of various theoretical channels at work. In this study, we examine the dynamic conditional correlations of stock prices and inflation in the United States over the period of 1791-2015 under a time-varying framework. The results of our empirical analysis reveal that correlations between the inflation and stock prices in the United States evolve heterogeneously

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\* We would like to thank the editor (T. Lagoarde Segot) and an anonymous referee for many helpful comments and suggestions on a previous version of this paper. The usual disclaimer applies.

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